

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOND DU LAC COUNTY, WISCONSIN
Management's Discussion and Analysis
December 31, 2008

As the management of Fond du Lac County (the County), we offer readers of the County's basic financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended 12/31/08. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the County exceeded its liabilities as of 12/31/08 by \$80,920,918 (*net assets*). Of this amount, \$12,373,815 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets decreased by \$1,914,310 (Governmental Activities decreased by \$1,891,704; Business-type Activities decreased by \$22,606). Several factors contributed to the overall decrease as follows:
 - The Care Management Organization net assets increased by only \$54,056 this year, as compared to \$1,525,553 last year. Capitated rates per member per month established by the State for the year still exceeded the current year program costs incurred.
 - The Airport net assets decreased \$442,810. Depreciation expense was \$535,326 with only \$77,979 of offsetting cash outlay for capital assets, resulting in a decrease in net assets. \$61,178 of state and federal capital contributions were recorded in the current year.
- The property tax rate remained the same per \$1,000 of property value for the budget year ended 12/31/08 at \$4.98.
- The property tax levy increased \$2,214,480 (7.23%) in support of the 2008 budget, over the prior year. Most of this increase was directed toward the following principal budget categories: \$1,053,766 for public safety and \$990,088 for health and human services.
- The County paid share of health insurance costs increased \$702,398 (9.6%) for the year ended 12/31/08. Monthly premium rate increases averaged 12% for 2008, over 2007 rates.
- Investment earnings decreased \$427,755 from the prior year due to declining interest rates throughout 2008.
- As of 12/31/08, the County's governmental funds reported combined ending fund balances of \$13,909,594, an increase of \$12,494 in comparison with the prior year end. Approximately 90% of this total amount, \$12,200,843 is *available for spending* at the County's discretion (*unreserved fund balance*).
- As of 12/31/08, the unreserved and undesignated fund balance for the general fund was \$4,450,086, or approximately 11% of total general fund expenditures.
- The County implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" for 2008. Since the active and retired employees participating in the County sponsored health insurance policy are rated as one group, an implicit rate subsidy results for the retirees. An actuarial determination of the benefit cost relating to the future retiree medical benefits was completed. The net other postemployment cost was determined to be \$628,699 and was expensed in 2008, the transition year.
- The County's total general obligation debt increased by \$890,000 (2.8%) during 2008. \$3,920,000 of new long term general obligation promissory notes were issued in 2008 for the purpose of paying the costs of various projects included in the County's five-year capital improvement plan, and the cost of developing an aeronautic industrial park and expanding the corporate airport hangar area..

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Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include: general government, public safety, public works, health and human services, culture, recreation, and education and conservation and development. The business-type activities of the County include: a highway operation, a care management organization for long term care of the elderly and disabled, a health care facility, a nursing home, an airport, a golf course and a solid waste landfill.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Housing Authority of Fond du Lac County for which the County is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15 - 18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, county road & bridge fund, department of community programs fund, department of social services fund, capital projects fund and debt service fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all its governmental funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19 - 28 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its highway operation, care management organization, health care facility, nursing home, airport, golf course and solid waste landfill. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central maintenance and its health self-insurance services. Because these services predominantly benefit governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the highway operation, care management organization, health care facility, nursing home and airport, all of which are considered to be major funds of the County. Data from the other two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Data from the two internal service funds is presented as a single column in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on pages 29 - 32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 33 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33 - 52 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 57 - 82 of this report.

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Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$80,920,918 at the close of 2008.

Fond du Lac County's Net Assets						
	Governmental Activities 2008	Governmental Activities 2007	Business-Type Activities 2008	Business-Type Activities 2007	Total 2008	Total 2007
Current and other assets	\$ 56,712,108	\$ 55,164,075	\$ 15,887,969	\$ 16,347,371	\$ 72,600,077	\$ 71,511,446
Capital assets	73,894,458	72,861,281	16,914,208	16,964,789	90,808,666	89,826,070
Total assets	130,606,566	128,025,356	32,802,177	33,312,160	163,408,743	161,337,516
Long-term liabilities outstanding	34,874,087	33,493,541	628,847	677,633	35,502,934	34,171,174
Other liabilities	40,890,087	37,797,719	6,094,804	6,533,395	46,984,891	44,331,114
Total liabilities	75,764,174	71,291,260	6,723,651	7,211,028	82,487,825	78,502,288
Net assets:						
Invested in capital assets, net of related debt	41,320,319	46,358,203	16,862,258	16,715,229	58,182,577	63,073,432
Restricted	1,723,623	3,509,510	8,640,903	8,646,385	10,364,526	12,155,895
Unrestricted	11,798,450	6,866,383	575,365	739,518	12,373,815	7,605,901
Total net assets	\$ 54,842,392	\$ 56,734,096	\$ 26,078,526	\$ 26,101,132	\$ 80,920,918	\$ 82,835,228

By far the largest portion of the County's net assets (71.9%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (12.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,373,815) may be used to meet the County's ongoing obligations to citizens and creditors.

Depreciation expense for governmental activities reflected in the statement of activities is \$5,328,584. This is an expense without a cashflow so there is no offsetting revenue (tax levy) reflected in the statement of activities. This would have the effect of reducing net assets in the statement of activities.

The amount levied for principal payment on governmental activity debt reflected in property tax revenue is \$2,785,000. This revenue is reflected in the statement of activities. The funds were used for the payment of principal on debt which would not appear on the statement of activities. This would have the effect of increasing net assets on the statement of activities.

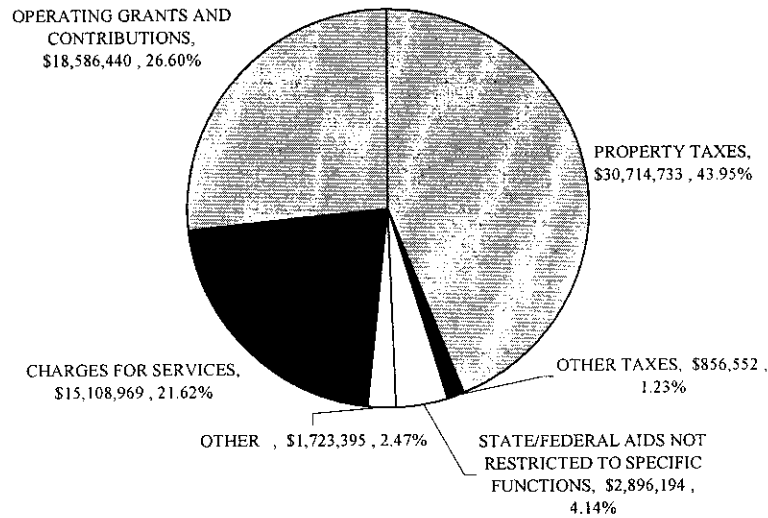
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Change in net assets. At the end of the current fiscal year, governmental activities decreased the County's net assets by \$1,891,704, while business-type activities decreased net assets by \$22,606. The Care Management Organization had another positive year, generating an increase in net assets of \$54,056. Key elements of the change in net assets are as follows:

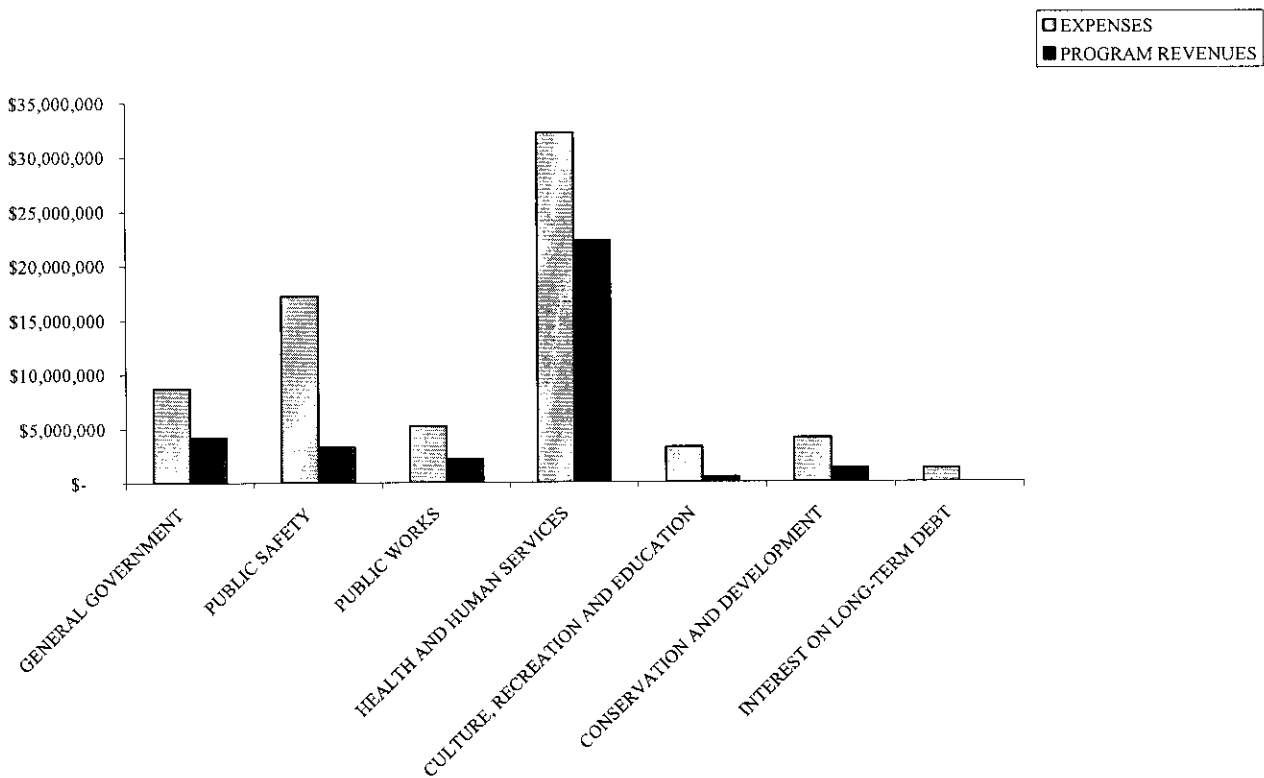
Fond du Lac County's Change in Net Assets						
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 15,108,969	\$ 13,827,385	\$ 49,576,012	\$ 48,444,103	\$ 64,684,981	\$ 62,271,488
Operating grants and contributions	18,586,440	18,338,324	1,728,088	1,945,828	20,314,528	20,284,152
Capital grants and contributions	-	-	61,178	2,256,230	61,178	2,256,230
General revenues:						
Property taxes	30,714,733	28,378,605	2,161,580	2,236,616	32,876,313	30,615,221
Other taxes	856,552	852,175	158	183	856,710	852,358
State and federal aids not restricted to specific functions	2,896,194	2,844,669	-	-	2,896,194	2,844,669
Other	1,723,395	1,831,679	844,896	559,294	2,568,291	2,390,973
Total revenues	69,886,283	66,072,837	54,371,912	55,442,254	124,258,195	121,515,091
Expenses:						
General government	8,717,853	8,373,739	-	-	8,717,853	8,373,739
Public safety	17,198,593	15,056,846	-	-	17,198,593	15,056,846
Public works	5,240,647	4,411,144	-	-	5,240,647	4,411,144
Health and human services	32,173,201	30,783,770	-	-	32,173,201	30,783,770
Culture, recreation and education	3,274,465	3,113,367	-	-	3,274,465	3,113,367
Conservation and development	4,071,061	2,088,114	-	-	4,071,061	2,088,114
Interest on long-term debt	1,271,927	1,217,670	-	-	1,271,927	1,217,670
Highway	-	-	11,184,748	10,601,811	11,184,748	10,601,811
Care Management Org	-	-	31,549,740	30,051,623	31,549,740	30,051,623
Health Care Center	-	-	8,082,581	7,543,068	8,082,581	7,543,068
Rolling Meadows Nursing/Rehab Center	-	-	1,866,537	1,865,852	1,866,537	1,865,852
Airport	-	-	672,146	619,882	672,146	619,882
Golf Course	-	-	817,527	724,690	817,527	724,690
Landfill	-	-	51,479	43,236	51,479	43,236
Total expenses	71,947,747	65,044,650	54,224,758	51,450,162	126,172,505	116,494,812
Increase (decrease) in net assets before transfers	(2,061,464)	1,028,187	147,154	3,992,092	(1,914,310)	5,020,279
Transfers	169,760	26,295	(169,760)	(26,295)	-	-
Increase (decrease) in net assets	(1,891,704)	1,054,482	(22,606)	3,965,797	(1,914,310)	5,020,279
Net assets - January 1	56,734,096	52,098,141	26,101,132	22,135,335	82,835,228	74,233,476
Prior period adjustment	-	3,581,473	-	-	-	3,581,473
Net assets - December 31	\$ 54,842,392	\$ 56,734,196	\$ 26,078,526	\$ 26,101,132	\$ 80,920,918	\$ 82,835,228

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REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES

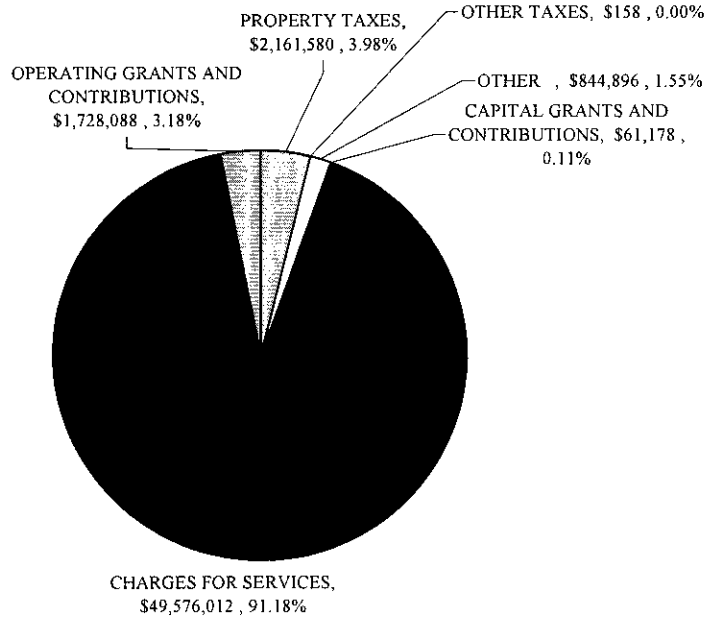


EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

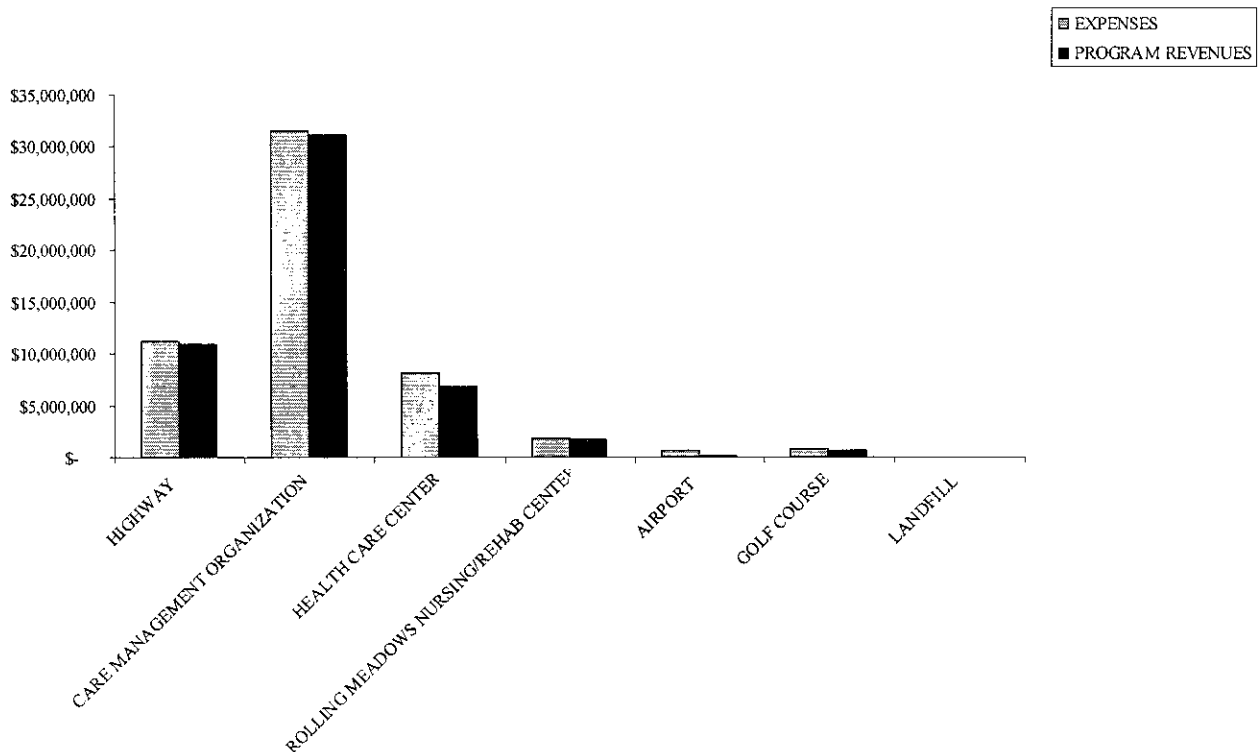


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REVENUES BY SOURCE-BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



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Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of year end, the County's governmental funds reported combined ending fund balances of \$13,909,594, an increase of \$12,494 in comparison with the prior year. Approximately 90% of this amount (\$12,200,843) constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for current year purchases of inventory and prepayments that benefit periods beyond the end of the current year (\$496,560), 2) for non-liquid delinquent taxes (\$1,149,944), 3) for retirement of long-term debt (\$12,247), and 4) for the Sheriff Canine Permanent Fund (\$50,000).

The general fund is the main operating fund of the County. At the end of the current year, unreserved and undesignated fund balance of the general fund was \$4,450,086, while total fund balance reached \$11,629,993. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 11% of total general fund expenditures, while total fund balance represents 29 % of that same amount.

The County's total general fund balance decreased \$125,787 during the current year, despite transfers of excess budget surplus of \$1,798,369 from the Department of Community Programs and of \$312,349 from the Department of Social Services. The unreserved, undesignated general fund balances actually decreased by \$182,049 from year end 2007 to year end 2008.

The County Road & Bridge Fund has a total fund balance of \$1,351,739. All of this balance is unreserved. The total fund balance represents 28.5% of total fund expenditures. The fund balance of the County Road & Bridge Fund increased \$1,274,385 during the current year, due to long and extreme winter conditions that shifted efforts (and budget funding) from regular maintenance to winter maintenance. Because of this, the CTH Y project, budgeted to be done in 2008, was delayed until 2009. In addition, an unanticipated reimbursement of \$227,000 was received from WE Energies to fund road repair due to damage caused during wind turbine construction; the road repair was not yet completed.

The Department of Community Programs has a total fund balance of \$156,100. Of this balance, \$96,923 is unreserved. The total fund balance represents 1.5% of total fund expenditures. The fund balance of the Department of Community Programs increased \$39,600, after a return of \$1,798,369 of excess budget surplus to the General Fund. The Department of Community Programs generally maintains a minimal fund balance. Budget surplus is returned to the General Fund annually. The budget surplus was generated, in part, by revenue from other counties for acute unit patients being approximately \$370,000 more than the final amended revenue budget; and provider contract services, department wide, were under the final amended expenditure budget by approximately \$1,027,000.

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The Department of Social Services has a total fund balance of \$100,000. All of this balance is reserved. The total fund balance represents less than 1.0% of total fund expenditures. The fund balance of the Department of Social Services increased \$51,000, after a return of \$312,349 of excess budget surplus to the General Fund. The Department of Social Services generally maintains a minimal fund balance. Budget surplus is returned to the General Fund annually. This is a minimal budget surplus with no key factors to note.

Proprietary funds. The County's proprietary funds provide the same type of information found in the County's government-wide financial statements, but in more detail.

Total net assets of the major proprietary funds are listed in the following table. Also displayed in this table is the total growth in net assets for the current year.

	Highway	Health Care Center	Rolling Meadows Nursing/ Rehab Center	Airport
Total Net Assets – Beginning of Year	\$ 6,217,996	\$ 2,549,733	\$ 695,670	\$ 6,349,854
Total Net Assets – End of Year	6,559,703	2,846,969	591,243	5,907,044
Total Growth (Reduction) in Net Assets	\$ 341,707	\$ 297,236	\$ (104,427)	\$ (442,810)

The net assets of the Care Management Organization are considered restricted and increased by \$54,056 to \$8,801,714.

Intergovernmental Transfer Program payments to our two nursing homes increased \$461,613 for 2008 from the prior year. It is anticipated this increase will be sustained for 2009. The cost of providing nursing home services continues to escalate, while the Federal and State government continues to reduce payments to the County for these service programs. This adds upward pressure to the tax levy demands to operate the County's two nursing homes. In light of the tax levy limits imposed by the State legislatively, the County Executive and the County Board were forced to make a difficult decision as the costs to provide all the services currently provided, increase at a faster rate than the ability to tax. In the summer of 2006, the County Board, as recommended by the County Executive and County Management, downsized Rolling Meadows Nursing and Rehabilitation Center to a 24 bed unit located at the Health Care Center, 459 East 1st Street. The facility at 1155 South Military Road has been vacated and the property was sold in January, 2009.

Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original adopted budget and the final amended budget amount to a \$3,511,589 (9.4%) net increase in appropriations and can be briefly summarized as follows:

- \$1,417,758 of additional carryover of unencumbered appropriations in funding or restricted program revenue (not planned at time of budget adoption).
- \$1,725,000 of additional long-term debt proceeds to fund land acquisition and subsequent development of an aeronautic industrial park.
- \$337,831 of new or additional revenue sources.
- \$31,000 of general fund appropriations during the year to fund compliance with the Wisconsin Pollutant Discharge Elimination System Program.

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\$47,884 was also appropriated from the general fund during the year for initial appraisal and environmental property assessment of the land being considered for development of an aeronautic industrial park, for expansion of the corporate hangar area at the airport, and for repair of a manhole at the airport.

During the year, actual revenues were greater than final budgeted revenues by a net amount of \$1,566,002, primarily in Miscellaneous Revenue – Community Development Block Grant Loan Repayments (\$2,062,035), which were budgeted at \$0. Miscellaneous Income – Interest Income was \$502,533 under budget. Actual expenditures were less than final budgeted expenditures by a net amount of \$795,958 primarily in Public Safety – Dispatch Center (\$201,417), Health & Human Services – Transportation/Senior (\$350,118), and Culture, Recreation & Education – Parks (\$356,882).

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of year end amounts to \$90,808,665 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, public domain infrastructure (highways and bridges), and construction in progress, if applicable. The total increase in the County's investment in capital assets (net of accumulated depreciation) for the current year was \$982,596 or a 1.1% increase over last year (a \$1,033,177 increase for governmental activities and a \$50,581 decrease for business-type activities).

Major capital assets acquired or constructed during the year include:

- Interoperability Tower and Infrastructure Project - \$2,287,388.
- Aeronautic Industrial Park - \$1,569,843.

Fond du Lac County's Capital Assets (net of accumulated depreciation)						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,662,868	\$ 1,793,715	\$ 980,404	\$ 980,404	\$ 3,643,272	\$ 2,774,119
Land improvements	2,642,819	1,987,863	7,685,143	8,183,846	10,327,962	10,171,709
Buildings/building improvements	34,744,663	35,683,056	3,039,795	2,894,196	37,784,458	38,577,252
Machinery and equipment	4,394,009	3,380,117	5,208,865	4,906,343	9,602,874	8,286,460
Infrastructure	29,450,099	30,016,530	-	-	29,450,099	30,016,530
Total	\$73,894,458	\$72,861,281	\$16,914,207	\$16,964,789	\$90,808,665	\$89,826,070

Additional information on the County's capital assets can be found in Note C. 5 on pages 43 - 44 of this report.

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Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$32,685,000:

Fond du Lac County's Outstanding Debt						
General Obligation Debt						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation debt:						
Bonds	\$15,760,000	\$24,045,000	\$ -	\$ 155,000	\$15,760,000	\$24,200,000
Notes	16,925,000	7,595,000	-	-	16,925,000	7,595,000
Total general obligation debt	\$32,685,000	\$31,640,000	\$ -	\$ 155,000	\$32,685,000	\$31,795,000

The County's total bonded debt increased \$890,000 (2.8%) during the current fiscal year.

The County maintains an Aa2 rating from Moody's Investors Service for its general obligation debt.

State statutes limit the amount of general obligation debt the County may issue to 5% of its total equalized valuation. The current debt limitation for the County is \$353,455,935, which is significantly in excess of the County's \$32,685,000 in outstanding general obligation debt. The County issued additional general obligation debt of \$6,885,000 in April, 2009 that included \$2,090,000 for the purpose of refunding the outstanding portion of the 2001 G.O. Capital Improvement Bonds

Additional information on the County's long-term debt can be found in Note C. 8 on pages 46 - 48 of this report

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Fond du Lac County was 5.9% in December, 2008, up from 4.4% in December, 2007. This rate is comparable to the State of Wisconsin's unemployment rate of 5.8% in December, 2008.
- The economic condition and outlook of the County has been negatively affected by the nation-wide economic crisis. Our relatively healthy mix of manufacturing, tourism, service industry, retail, and farming activities has not been able to shield us from a down turn in our economy.
- Inflationary trends in our region compare favorably to national indices.
- During the current year, unreserved fund balance in the general fund decreased \$64,736 to \$10,151,729. The County has appropriated \$1,600,000 of this amount for spending in the 2009 adopted budget.

All of these factors were considered in preparing the County's budget for the 2009 fiscal year.

Limits have been imposed on the property tax levy rates for Wisconsin counties. There are separate limits for the operating levy and the debt service levy. The baseline for the limits is the actual 1992 tax rate adopted for the 1993 budget. The operating levy rate and the debt levy rate cannot exceed the baseline rates unless the County qualifies for one of the exceptions allowed under the statute. The statute establishes specific penalties for failure to meet the levy rate freeze requirements. Among the penalties for exceeding the limits is the reduction of state shared revenues and transportation aids.

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Management's Discussion and Analysis
December 31, 2008

Upon adoption of the budget for the 2009 fiscal year, the County's operating levy rate of \$4.17 is approximately \$0.48 below the allowable operating levy rate of \$4.65. The operating levy could legally be increased under the property tax levy rate limit by \$3,277,035. The debt service levy rate of \$0.69 is well below the allowable debt service levy rate of \$1.02. The debt service levy could legally be increased under the property tax levy rate limit by \$2,263,474.

Another limit has been imposed legislatively on the total property tax levy for Wisconsin counties for a two year period by Wisconsin Act 25, effective July 25, 2005. Wisconsin State Budget bill SB40 continues the limit on the property tax levies through 2009. The budget bill limits the increase in the maximum allowable tax levy to the greater of the percentage change in the County's January 1st equalized value as a result of net new construction or 2.0% for the 2009 budget. The actual limit for the County for the 2009 budget was 2.031%. The levy limit applies to both operations and debt service. However, the Act allows the limit to be increased for debt service authorized prior to July 1, 2005 and in certain other situations. For the adopted 2009 budget, the County total tax levy is equal to the allowable property tax levy limit.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, Fond du Lac County, Finance Department, 160 South Macy Street, Fond du Lac, WI 54935. The Finance Department may also be contacted via the internet. Please visit the Fond du Lac County home page at www.fdlco.wi.gov, select the "Your Government" tab, then the "Finance" tab, then the "Financial Reports" tab.